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CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D.C. 20505

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24 JUN 1968

MEMORANDUM FOR: Comptroller, National Reconnaissance Office

SUBJECT: OXCART Fiscal Year 1968/1969 Funding

REFERENCE: Memorandum for Comptroller, Directorate of
Science and Technology, CIA, dated 29 May 1968,
same subject [redacted]

1. We have, in accordance with the referent memorandum, conducted a careful review of the OXCART phaseout activity in an effort to estimate FY 69 fund requirements for July and August 1968. The estimates were based on the assumptions contained in your memorandum and are qualified as follows:

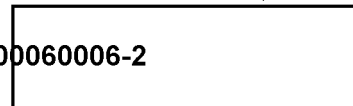
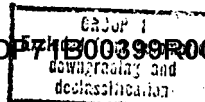
a. We assume that the FY 68 funds (current balance about [redacted] allocated for phaseout costs will be available and that costs properly chargeable to FY 68 should be charged against that account. They are therefore not included in the estimate in this memorandum.

b. With the exclusion of sums covered by a., above, and with the further exclusion of [redacted] closeout costs as stated in your memorandum, the estimates included herein are generally limited to the O & M and basic support costs at [redacted] for July and August.

2. With respect to the total OXCART closeout picture, there are a number of considerations which make it impossible to determine precisely what the ultimate costs to the government will be. Each contract settlement must be considered a "termination for the convenience of the government", and each contract must be closed in accordance with procedures applicable to this type of termination. Some of the items which have a bearing

NRO and USAF review(s) completed.

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[REDACTED]
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on the ultimate costs and which must be negotiated are disposition of government property, plant rearrangement to original configuration, burden negotiations, etc. Each OXCART contractor has been advised of the termination of the program, and each has been asked to forward estimates of closeout costs as soon as they can be reasonably determined. These estimates are not available to date, and we doubt that firm, or reliable, estimates will be received in the immediate future. Under standard contracting procedures, the contractor has, upon notice of termination, up to a maximum of one year to present his claim to the government for cost incurred for closeout. This time could be extended if circumstances so warrant.

3. The following comments relate to the assumptions set forth in the referent memorandum and represent qualifications of the estimates:

a. Re Assumption 1. We are prepared to support TAGBOARD during this period, and [REDACTED] support costs are included in the estimates.

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b. Re Assumption 2. All of the OXCART aircraft are in storage.

c. Re Assumption 3. There will undoubtedly be a few contractor personnel at [REDACTED] engaged in "clean-up" operations. Our estimates include them as a part of the base population which must be fed and housed, etc. However, we cannot at this time estimate the costs for the settlement of the contracts with their employers. We would presume that most of this would be charged to the FY 68 allocation set aside for OXCART closeout.

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d. Re Assumption 4. We believe that substantially all of the procurement and repairs for the "90-day fill" will have been authorized prior to 30 June and will thus be chargeable to FY 68 funds already allocated.

e. Re Assumption 5. The Kadena establishment has been closed and the disposition of property is substantially complete. Any further shipment of residual assets will be in USAF airlift under the present support agreement. We are therefore not budgeting for this.

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f. Re Assumption 6. This type of activity has been included in the estimate.

g. Re Assumption 7. As is the case in subparagraph c., above, the estimates for contractor personnel are limited to the costs of supporting them at [] during July and August. We cannot at this time estimate their total salaries, separation entitlements, travel, etc. Practically all of this will be covered by the FY 68 closeout funds, but when settlements are negotiated, we could tabulate the costs specifically related to FY 69 as separate items if this would serve a useful purpose for you.

h. Re Assumption 8. Expenses of this type are included in our total estimates.

i. Re Assumption 9. We interpret "in-storage" costs to mean the cost of storage at Palmdale. These costs should be budgeted by the USAF since the OXCART aircraft are now their responsibility.

4. FY 68 OXCART approvals were sufficient to cover the cost of maintenance technicians, factory engineering, overhaul and repair, spares, procurement, etc., through 30 June. In several instances there will be savings, which will be identified in the 30 June 1968 Status of Funds Report. We are confident that the funds already obligated in FY 68, plus the [] reserve for OXCART closeout, will be more than adequate for the final OXCART costs. However, as noted above, it is not possible to accurately forecast all of these costs at this time. For this reason we recommend that:

a. FY 69 funds in the amount of [] be allocated to OSA for [] O & M costs for July [] and August [] See Attachment A.

b. The [] in FY 68 funds allocated for OXCART closeout costs be held by the NRO Comptroller with the understanding that it will be drawn upon as needed. We would hope that our requirements in this area could be reasonably estimated by 1 January 1969.

Comptroller
Directorate of
Science and Technology

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